GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5454
ANSWERED ON:22.12.2000
INFOTECH COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government are aware that Software convert companies are repeating the vanishing act of finance companies in 1992;

(b) if so, the details of companies which convert their names into infotech, have stopped trading an pull a fast one on investors;

(c) whether the Government have identified such companies;

(d) if so, the names of such companies and the amount collected by these companies from the investors; and

(e) the action being taken by the Government against those companies and steps being taken to safeguard the small investors?

Answer

MINISTRY OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIHE PATIL)

(a) As intimated by the Securities and Exchange Board of India (SEBI), no such instance has been brought to their notice.

(b), (c) & (d) The required information is being collected and will be laid on the Table of the House.

(e) The Department of Company Affairs (DCA) has advised Registrars of Companies in May 1999 that in future they should allow companies to change their names to reflect the business of software only if a substantial portion of their income is derived from software business.

SEBI has tightened entry norms for public/rights issues by such companies by way of requirement of 3 years` track record of profitability in the information technology sector and cautioned investors through press releases; asked stock exchanges to closely monitor trading and other developments in respect of shares of such companies; and made it mandatory for such companies to separately show the performance and results of software activity in quarterly/ annual reports.